

Override Study Committee Minutes

March 24, 2014 – 6:00 PM

School Committee Hearing Room – 5th Floor – Town Hall, 333 Washington Street

Present: Dick Benka, co-chair; Susan Wolf Dittkoff, co-chair; Cliff Brown; Alberto Chang; Chad Ellis; Janet Gelbart; Kevin Lang; Carol Levin; Sergio Modigliani; Lisa Serafin Sheehan; Jim Stergios; Tim Sullivan; Ann Connolly Tolko. Called in: Beth Jackson Stram attended the meeting remotely.

1. Reports of School Subcommittee and Schools Subcommittee Task Forces, continued from March 19, 2014

Cliff Brown continued the report of the Special Education and Population Task Force.

A chart was presented showing kindergarten enrollments, including METCO and Materials Fee, by month for School Years 11-12, 12-13, and 13-14. The Schools are admitting non-resident children before the number of resident children are known. How does this square with “space available”? By September, METCO and Materials Fee are not listed, because they have been assigned to schools. Assignment to individual schools could be delayed. Rebecca Stone stated that new hires are hired as needed, along with renewals. There is no specific limit on Materials Fee.

Allocations to individual schools are made earlier than they need to be. Superintendent wants to allocate kids as early as possible. Might want to defer as long as possible to preserve optionality.

Materials Fee is open to all Town and School employees, including teachers and non-teachers. The School system feels it is useful for recruiting. By policy, it is offered on a “space available” basis. Also, “all staffing will be done on the basis of tuition paying or resident students.

Growth of Materials Fee has exceeded 50% since 2008 and it is not capped. While the target population for METCO is 300, Materials Fees has and will continue to grow as the teaching staff grows.

Suspension of Materials Fee would reduce space needs by 1 additional classroom each year; there are roughly 20 Materials Fees per year in the entering kindergarten class. Materials Fee is high cost, but pays \$2500 per year to attend. Roughly \$14,000 per student in long-run incremental costs. There is hard evidence on the impact on recruiting or retention. The benefit goes to some but not all employees.

Alberto Chang asked whether the non-resident students who were admitted were siblings of existing students. Cliff responded that the number varies, but could be 50% in some years, but if that number would drop over time.

Possible options with respect to Materials Fee students. None have been recommended or voted on at this time:

- Do nothing, which allows an unrestricted call on school facilities
- Reduce, suspend, or eliminate enrollment
 - Put cap tied to resident enrollment
 - Do not offer to Town staff. Brookline not aware of any other municipality that offers it to non-school staff. In 2013, there were 40 Town and 138 PSB-employee students.
 - Do not offer non-teacher PSB staff
 - Limit to certain full-time teachers
 - vesting period, income test, distance test.
 - Impose an overall cap on the Materials Fee population
 - Limit to hard-to-recruit educational specialities
- Investigate higher fees
- Gather more information on hiring impact; i.e. when make an offer, why is it not accepted
- Towns are not allowed to charge tuition
 - Materials Fee construct is supposed to reflect actual cost of materials used to provide education
 - Include capital costs being imposed in the fee?
- Make allocation as late as possible
 - Superintendent admits he's probably placed non-residents in schools where residents expected to go

METCO was initiated in the late 1960s to alleviate racial imbalance in sending districts, eliminate racial imbalance in Boston, Springfield. State defines racial imbalance as more than 50% minority.

Suspension of METCO (i.e., not admit new K students) would eliminate space demand of one additional classroom each year.

The cost of METCO is \$15,000 per student per year net of revenue.

METCO increases diversity in the schools.

- If eliminated entire program, which is not suggested,
 - The African-American population would drop from 7.4% to 4.7%
 - All growth in K-12 over last 20 years has come from minority populations.
 - There are fewer white kids now than in 1983
 - Two-thirds of growth was non-Asian.
 - METCO is 71% African-American.
- Income is not a consideration of consideration
 - 60% of METCO students are not low-income (free or reduced-price school lunch)
- State reimbursement has declined in real terms
- when started, state tried to reimburse cost of educating children vs. where it is now

The question was asked whether we admit students from any grade? Is there a new cohort of METCO admitted into the high school? Alan Morse stated that if there is attrition, it can open up a slot so that METCO can be admitted in any grade, but has historically been limited to kindergarten or 1st Grade except for siblings. Historically, do not admit to the upper grades; kids coming in upper grades do less well in adapting to school. Total METCO ranges from 291 to

302 over time. Lee Selwyn noted that the K to 12 churn rate is 40%; Susan Wolf Ditzkoff noted that METCO was less, since children are admitted in lower grades. Alberto Chang noted that according to the data METCO seems to grow from year-to-year. The data for classes progressing from year-to-year shows that the Schools kept adding to METCO kids not in kindergarten.

Options for METCO include the following, which are not recommendations but simply options at this point:

- Lobbying Efforts to get greater State funding, and to get additional funding for the special education costs for METCO students. Make it a function of resident enrollment at a given calendar date
- Lower target population for a limited time e.g. 300 to 200
- Suspend admissions to METCO until we get more money from state.
 - An amount equivalent to the amount for students who go to a charter school, which is substantially higher than METCO. Charter schools, according to Jim Stergios, get \$11,400 plus State funds, a total of \$15,000.
 - Get back to the equivalent 2008 level + special needs (high point of reimbursement)
 - Open question of is there any ability to get State to ask
- Indefinitely suspend program
- Talk to METCO; have been in the program 45 years, but are clearly in a bind. Our costs are high because we are growing. Maybe other systems would be open to grow? For example, it was suggested that school districts with stable or declining enrollments would take additional METCO students rather than having empty spaces.

Ann Connolly Tolkoﬀ asked whether Brookline had talked with other communities and lobbied with other cities and towns. The Brookline School Committee has met with Senator Creem and state representatives.

- Very many METCO students are in Senator Creem's district (clustered in a few districts).
- But it does not equally affect districts across the Commonwealth.
- Mass Association of School Committees would be a forum for talking about this type of legislative agenda.

Have not started to cut the program and say "we are cutting this until you can fund the program more" to encourage the legislature to engage in the situation. How can the State be influenced to increase funding if we take no action and continue with the status quo? How serious are we if we don't take action.

Answer is Buffer Zones. Looking at gross number, it does decrease class sizes over time.

Delaying METCO assignments to schools would give more flexibility. Alberto asked when other communities admitted METCO students.

Dick Benka noted that given the buffer zones in Town, if you reduce total number of kids in a class by 40, you can actually save a couple classroom due to the flexibility of assignments

allowed by the existing buffer zones. That requires not assigning students in February or April. Susan noted that assumes optimal assignments. Dick noted that unless all kids are siblings or have special education or language needs, there is a lot of potential flexibility in the system. Lee Selwyn stated that, to be more precise, there is a degree of sub-optimality in current assignments, but if you reduce incoming enrollment by 40, even if you hold the level of sub-optimality constant, then you can still reduce 2 classrooms if all else is equal. Implicit is making assignments of Materials Fee and METCO after residents, but that is not how it happens now. A METCO or Materials Fee or a resident has the same cost in the school system. The cost is the same once a student is admitted to the system.

Kevin Lang stated that there has been considerable lobbying and work with METCO, but there have not been good results. Cliff Brown noted that METCO does not increase diversity within each particular classroom or school; some schools or classrooms do not receive METCO students. Susan Wolf Ditkoff noted that clustering is considered more effective.

Over time, you would get meaningful classroom count reductions. We may not see exactly 2 classrooms the first year but over 3-5 years it would have the impact.

Lee Selwyn presented a report from the Population and Special Needs Task Force on Long-Run Incremental Cost. There has been one significant change from the draft presented: Chapter 70 funding is now accounted for, though the formula is complicated.

The Schools have policies regarding non-resident students:

- Admission on a space available basis.
 - We are doing all this work (BSPACE, OSC) because we do not have any space available.
 - We are not following this policy
- Staffing levels for Materials fees
 - Are to be set on “basis of tuition and resident student”
 - What is tuition paying – high school foreign students.
 - total system wide is < 10
- Special Ed for Material Fees paid for by employee or home district
 - We are not doing this today.
 - Only doing this for out-of-district placements
- METCO funds are to come from the state Mass Dept of Ed.
 - When program was started, it appears that funding was enough to come close to covering the total cost of educating these kids
 - Current funding is woefully inadequate now; funding has not increased, or has decreased, while costs have gone up and while growth requires new classrooms
- Notification for admission of non-resident students
 - June 1 for teachers, June 20th for non-teacher employees
 - We are making admission decisions before our own resident needs are known or the available space is known

If we were truly operating on a space available basis, we would not admit a student or we would not retain a student from year-to-year if there was no available space. Staffing would also be based on resident and tuition paying. Policy Manual provisions, however, are systematically being ignored

Point is that because these policies are not being followed (leaving aside whether they should or should not be followed), then the cost of each student is the full, long term cost.

Long-run incremental cost analysis accounts for benefits, capital improvement costs, 2009 override and 2011 entry to GIC. Linear regression results in a cost of \$16,000 per student. Committee has agreed on a range of +/- \$1,000.

The number was adjusted for differential use of Special Education by resident, METCO, Materials Fee. Assigns all out-of-district costs 100% to resident students. Assigns all “district-wide” in-district costs to resident students. Peter Rowe provided cost of \$5 million for latter, which was used. No benefits or capital loaded on out-of-district Resident students special education at 11.67%; METCO at 26.6%; Materials Fee at 23%; total K-12 at 12.62%. If there is a comparable district wide program where they come from, they go back to where they come from. Students are not denied Special Education if they don’t have that service in home district.

Long-range incremental cost per student adjusted to reflect relative use of Special Education:

- Resident: \$15,939
- METCO: \$17,112
- Material Fees: \$16,341
- Overall Avg: \$16,000

This is simply the cost side, without taking into account offsetting revenues.

Taking into account the offsetting revenues results in the following Net Revenue Per Student:

- Metco Revenue \$3,302 (includes METCO funding available to fund teachers, after payment of METCO-specific positions and transportation, and approximately \$1,565 of Chapter 70 funding).
- Materials Fees: \$4,055 (Materials Fee payment plus Chapter 70 funding)
- METCO: Net Long Run Cost: \$13,810
- Materials fees: Net Long Run cost: \$12,286

It appears that under Chapter 70, if the school population were to decline, the school system would still get the current level of funding. Jim Stergios noted that no district had been cut as a result of declining enrollment. We are still below our target of funding 17.5% of the Foundation Budget, so there is still room for increased funding with more students. The actual Chapter 70 amount would depend on appropriations by State.

The resulting net long-run incremental cost for one year: Net Long Run Incremental Cost (LRIC) for METCO is \$13,000 times 300 students, or about = \$4M. Lee Selwyn noted that this effectively represents the subsidy the Town of Brookline is making to the City of Boston each year under the METCO program.

Across all of METCO, if all 3100 kids were in Boston, would be equivalent to about \$50M of costs to City of Boston.

The annual Materials Fee cost amounts to about \$2.1 million ($\$12K * 178$). = \$2.1M.
(Approximately 125 of the 178 are Boston).

The total annual LRIC is approximately \$6.1M for METCO and Materials Fee.

The long-term cost of admitting a METCO or Materials Fee student, assuming the commitment to 13 years in the schools, is:

- 13 year cost of METCO child: \$179k-\$200k
- 13 year cost of Material Fee child: \$159k-\$180k

For the total 2014 kindergarten cohort, the cost over 13 years would be \$7.1M – \$8M.

If we suspend new admissions, but maintain the existing students through 12th grade, the Net Present Value of the costs incurred over 13 years would be:

- METCO: \$32M
- Materials Fee: \$20M
- Total NPV: \$52.6M
- This cost is low assumes that all new admissions stop.
- If siblings continue to be admitted, the cost would be higher (perhaps 25%, but it could be modeled). After a few years, the number of new siblings would drop out.

If we continue as is, the Net Present Value of the costs incurred over 13 years would be:

- METCO: \$58.8M
- Materials Fee: \$46.2M
- Total NPV: \$105M in future costs.

It was asked whether this included the marginal costs of new classrooms. Lee Selwyn responded that this probably understates future costs, since the LRIC analysis included on the annualized cost of capital construction, where the most expensive was Runkle. The future anticipated need would be higher.

Susan Wolf Ditkoff asks is it useful to show this as a % of the budget this represents over the 13 years. Lee Selwyn stated that this is a real cost, and representing it as a percentage of the total budget tends to trivialize the number. If our objective is to look at the economic impact of a policy, this shows the impact of the Town accepting a liability.

Dick Benka clarified that this was not a “liability” the legal sense but rather a “commitment” that if we accept a student, we will keep them through 12th grade graduation. Not equal to a pension contract, but is still a commitment. This is the same analysis we do on OPEB and pension liabilities, except these are modeling METCO and Materials Fee costs cutting off after 13 years, rather than continuing on with no change in policy.

The discount rate is the current Treasury rate.

If you include \$1,565 in per student revenue from Chapter 70, you would end up, you end up with a total Net Present Value of the costs over 13 years for METCO is \$28M and for Materials Fee is \$18M if suspend new admissions now, or a total of \$47M. If we continue with the status quo, the Net Present Value of the costs over 13 years is \$52M for METCO and \$41M for Materials Fee, or a total of \$93 million.

Kevin Lang is concerned numbers tend to stick in people's minds. He expressed concerns about cost for METCO students; assumes we are over-estimating SPED costs for METCO students, since they use in-school system vs out-of-school system. He questions whether there are programs that METCO students don't use extensively; e.g., do they use fewer non-METCO guidance counsellors. His number is more like \$7K-\$10.5K. Most of these kids are adding a classroom per 20 kids, but talking about a newer teacher, and new teacher is cheaper.

Lee Selwyn noted that he has made every attempt to get the numbers correct, has shared the analysis widely, accepted comments. The single biggest issue is the cost of district-wide Special Education programs, and the numbers used came from the School Department.

Carol Levin asked that the differing assumptions be identified.

There will also be an analysis of one-year vs. 5-year vs. long-run incremental costs.